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I. Organizational matters

1. The second regular session 2003 of the Executive Board of UNDP and UNFPA met from 8 to 12 September in New York. At the session, the Executive Board approved the agenda and work plan for its second regular session 2003 (DP/2003/L.3 and Corr.1), as orally amended, and the report on the annual session 2003 (DP/2003/25).

2. It agreed in decision 2003/29 to the following schedule of future sessions of the Executive Board in 2004:

First regular session 2004	23 to 30 January 2004
Annual session 2004	14 to 25 June 2004 (Geneva)
Second regular session 2004	20 to 24 September 2004

3. Decisions adopted at the second regular session 2003 were included in document DP/2004/2 accessible on the Executive Board secretariat web site at www.undp.org/execbrd.

4. The President of the Board, the Administrator of UNDP and delegations expressed their condolences for the tragic loss of United Nations staff who had fallen in Baghdad, Iraq. They also wished quick and full recovery to those who had been injured in the attack.

5. The Administrator spoke about his recent journey to Jordan for the sad purpose of receiving the remains of the fallen staff members, and to visit the wounded staff who had been evacuated from Iraq. The Administrator referred by name to each of the fallen colleagues from UNOPS and each of the injured UNDP staff members. Delegations subsequently observed a moment of silence in honour of the fallen staff members.

6. On 11 September, the President of the Board, the Administrator of UNDP and delegations expressed their condolences for the untimely and tragic death of Ms. Ann Lindh, Foreign Minister of Sweden. Delegations observed a moment of silence in her honour.

UNDP segment

II. Financial, budgetary and administrative matters

7. Delegations commended UNDP for the high quality of its report on the biennial budget estimates, 2004-2005 (DP/2003/28), the annual review of the financial situation 2002 (DP/2003/27 and Add.1), the report of the ACABQ on the biennial budget estimates, 2004-2005 (DP/2003/29), information on United Nations system technical cooperation expenditures 2002 (DP/2003/30 and Add.1) and additional security measures required for UNDP personnel and premises (DP/2003/CRP.20). They welcomed, in particular, the excellent introductory statement by the Associate Administrator on behalf of the Administrator. They also commended the secretariat

for organizing informal meetings with members of the Executive Board prior to the session.

8. Delegations observed that document DP/2003/28 on the biennial budget estimates 2004-2005 was concise, comprehensive and presented a clear strategy. The budget, they affirmed, was generally well aligned with the strategic goals and priority areas set out in the second multi-year funding framework 2004-2007 (DP/2003/32); the principles underlying the preparation of the budget and the reasons for the budget increase were valid; and the increased cost recovery rates were a step in the right direction to ensure that other (non-core) resources contribute fairly to the cost of UNDP programmes.

9. They supported the budget as proposed in document DP/2003/28, noting that a prerequisite for a strong UNDP presence at the country level was the continued stability of its regular resources base. Accordingly, they supported the proposed investments in human resources and knowledge management at headquarters and at the country level in order to build partnerships, coordinate institutional efforts and lay a foundation for conflict prevention and post-conflict operations. They also supported the proposed base structure concept to be funded from the regular resources budget.

10. Some delegations announced increased contributions to regular resources while others confirmed that they would retain their current levels. Notwithstanding, delegations wished to: (a) know if the upward reclassification of posts was based on substantive changes in the level and scope of responsibilities; (b) obtain additional information on the cost recovery calculation and on the basic structure concept; (c) learn what measures would be taken to ensure that there were no adverse effects on the minimum target for resource assignment from the core (TRAC) programming in the event that the actual resources should fall short of the budgeted amount; (d) obtain further information on cooperation between UNDP and the private sector in information technology and communications; (e) understand how reporting on the budget would fit into reporting activities under the second MYFF, in particular with regards to the MYFF goals.

11. Delegations recommended that every effort should be made to ensure that: (a) regular resources did not subsidize programmes funded from other (non-core) resources; (b) an assessment be conducted on how non-core resources would fit strategically with the regular-resources-funded programmes of UNDP, the strengthening of joint programming, programme management, and joint resource mobilization among United Nations organizations; (c) in the implementation of the cost recovery policy, the relationship between core and non-core contributions be monitored; (d) the capacity of UNDP to measure and report on the full cost of services be strengthened; (e) the issues of cost recovery should be taken up in the context of the simplification and harmonization framework of the United Nations Development Group, with the overall objective of agreeing on a common definition of programme cost and administrative cost.

12. The Assistant Administrator and Director, Bureau of Management, reported that additional information had been provided on the calculation of cost recovery. He advised that the methodology applied in the exercise was consistent with the recommendations of the Joint Inspection Unit and closely resembled that used by the United Nations Children's Fund (UNICEF). He reported that the report on programme and budget support was provided for information only.

13. On post reclassification, the Director observed that the exercise had not been undertaken in more than a decade in spite of increased responsibilities for resident coordinators and country directors. He advised that there were cases where a downward reclassification of posts had taken place.

14. The Director advised that the base structure concept was relatively new, noting that adjustments would be made as lessons were learned. The Executive Board would be kept abreast of developments.

15. On the relationship between UNDP and the private sector in information technology, the Director acknowledged that UNDP had benefited from the latter through preferential treatment in equipment procurement, but there were no financial flows as such. The re-profiling exercise at the country level resulted in savings that had been invested in information and communications technology and learning for UNDP staff.

16. He concluded by assuring delegations that UNDP would make every effort to align the strategic goals of the MYFF with budget planning.

17. The Executive Board adopted decision 2003/22 on the biennial support budget 2004-2005.

18. The Executive Board adopted decision 2003/23 on the biennial support budget 2004-2005 for the United Nations Capital Development Fund and the United Nations Development Fund for Women.

III. Thematic trust funds

19. Delegations thanked UNDP for the report on the thematic trust funds (DP/2003/31), and commended UNDP representatives for their comprehensive and informative reporting and presentations.

20. Delegations stressed that the thematic trust fund (TTF) concept was an important innovation that had been strategically and cohesively used to underpin the core goals of UNDP. They indicated that the financial and programming results currently in use were promising. Given the importance of the thematic trust funds, delegations suggested that they be closely monitored and included as a regular item on the agenda of Executive Board sessions.

21. They suggested that reported country results on thematic trust funds should be presented as part of the MYFF reporting system in order to ensure the consolidation of results achieved by service line, simplified reporting, and alignment with the MYFF goals. They recommended that the annual TTF report should be more analytical, drawing on lessons learned and demonstrating how each thematic trust fund met its thematic objectives.

22. Delegations stressed that thematic trust funds should complement and not compete with, or undermine, core resources, which remain the bedrock of the organization. They also anticipated that more donors would contribute to the thematic trust funds, and expressed regret that only two of the eight approved thematic trust funds received adequate contributions.

23. They suggested that the number of thematic trust funds should be aligned with the number of goals in the MYFF, 2004-2007, while those not having attracted sufficient funding should be cancelled.

24. They strongly expressed their concern regarding donor earmarking of funds with attached conditionalities, which impede the ability of UNDP to be flexible and strategic in allocating funds. They regretted that the bulk of the resources in the thematic trust funds – about three-quarters – were earmarked for specific countries or projects, but understood the special nature of such earmarkings, especially with regard to the thematic trust funds on crisis prevention and recovery.

25. While noting that the allocation process had improved and was more transparent, delegations underscored that to improve their effectiveness efforts should be made to harmonize and streamline the thematic trust funds further.

26. They also suggested that efforts should be made to avoid competition for funds with other United Nations organizations, such as the United Nations Development Fund for Women (UNIFEM) and the Joint United Nations Programme on HIV/AIDS (UNAIDS), which address similar themes.

27. In general, delegations strongly supported the thematic trust funds and would continue to make contributions within the limits of their capacity.

28. In response, the Assistant Administrator and Director, Bureau for Development Policy (BDP), indicated that UNDP would continue to work towards improving the performance and management of the thematic trust funds. He also concurred with delegations on the recommendation that future TTF reporting be simplified and integrated with the MYFF reporting.

29. He clarified that transaction costs were high relative to the size of the thematic trust fund – the smaller the TTF the higher the cost of managing it. He also clarified that internal transaction costs to UNDP were associated with the selection and allocation process, which was designed to ensure that resources entrusted to UNDP were utilized for the most strategic and catalytic initiatives. Further experience would make it possible to streamline the process, which in turn would lead to a reduction in transaction costs and improve the efficiency and effectiveness of the TTF facility. He stated that from 2004 onwards the number of thematic trust funds would be aligned with the number of goals in the MYFF, 2004-2007.

30. The Assistant Administrator and Director, Bureau for Crisis Prevention and Recovery (BCPR), reported that the transactions costs for the Thematic Trust Fund for Crisis Prevention and Recovery were not high because TTF resources were not allocated through a selection and allocation process, and were co-programmed with existing country office initiatives. The arrangements in place allowed programming to take place as the process moved forward. She also reported that as a result of the special initiatives in Afghanistan the bulk of resources had been allocated to that country. Lessons from Afghanistan were being applied to other countries, such as Guinea Bissau, where BCPR worked in collaboration with the Economic and Social Council mission and assisted the country in designing resource mobilization options. UNDP also designed a mechanism to assist in paying the salaries of civil servants in Guinea Bissau, but donors did not fund it. A similar model was being used to create a similar facility in Liberia, for which donor support was expected.

31. The Assistant Administrator reported that her bureau also had its own core resources, which when needed could quickly be allocated for immediate relief in natural disasters, for example. Follow-up assistance could then tap into further target for resource assignment from the core (TRAC) 3 resources and the thematic trust funds to initiate programmes and mobilize additional resources later on.

32. On reporting, she stated that the Bureau was producing one annual comprehensive report, which responded to both the financial and analytical reporting requirements of donors.

33. The Director, Division for Resource Mobilization, noted that the thematic trust funds were considered part of a three-layered arrangement: core resources; country-level partnerships and the thematic trust funds. She indicated that UNDP had consistently worked to ensure that core resources were protected. She explained that the manner in which the thematic trust funds fit with other types of funding raised the fundamental issue of how UNDP integrated its efforts at the country level with other actors. In terms of donor participation, the number of donors joining UNDP through the thematic trust funds had increased, albeit slowly. Donors were requested to avoid earmarkings when providing resources so that UNDP could have the flexibility to allocate them according to corporate priorities in support of programme countries.

34. Reporting on TTF activities was done through the results-based management system. The MYFF, 2004-2007, made a good logical case for reporting to the Executive Board in the future.

35. The Director concluded by observing that, in the majority of cases, country offices worked with governments to formulate overall programmes without distinction between the sources of funding. The MYFF sought to bring all activities together in one set of programmes funded from different sources. Consequently, TTF resources were not allocated in isolation from other sources of funding.

IV. Multi-year funding framework

36. Delegations debated the second multi-year funding framework (MYFF), 2004-2007, as contained in document DP/2003/32. They congratulated UNDP for an excellent report and for the outstanding and informative statements delivered by the Administrator and Associate Administrator.

37. They commended the secretariat for organizing informal meetings and consultations at various levels that facilitated fruitful discussions prior to the session. They underscored that the framework was more simplified, focused and user-friendly than its predecessor. They welcomed the balance in the reduced goals and service lines.

38. Delegations underscored that: (a) poverty reduction and the MDGs should remain the overarching goals of UNDP; (b) the implementation of the MYFF should take into consideration programme country development priorities and strategies; (c) UNDP should accord special attention to ensuring that the poverty reduction strategy papers (PRSPs) were appropriately attuned to the Millennium Development Goals (MDGs); (d) capacity development had a special part to play in UNDP support to the MDGs by, inter alia, enhancing national ownership, which in turn

could improve the effectiveness of development results; (e) upstream work should be accompanied by downstream efforts so that policy advice could be regularly informed by practice and vice versa; (f) the MYFF should respond to the demands of intergovernmental bodies as reflected in the MDGs, the Conference on Financing for Development and the World Summit on Sustainable Development, as well as regional efforts such as the New Partnership for Africa's Development (NEPAD) by the African Union; (g) the terminology used in the MYFF should be consistent with that contained in intergovernmental documents; (h) the increase in regular resources in the last several years reflected the improved image of UNDP and the efficiency and effectiveness of its performance, thanks to its reform programme; and (i) the need for predictable, sustainable and adequate regular resources so that UNDP could provide assistance commensurate with programme country demands and improve the organization's capacity to deliver its services more effectively and efficiently.

39. Delegations sought clarification on how UNDP planned to report on performance and what indicators would be used to measure programme impact and lessons learned. They welcomed the opportunity to discuss these issues at the first regular session of the Executive Board in January 2004. They also sought further clarification on the relationship between the MYFF, the triennial comprehensive policy review on operational activities for development (E/1998/48), the United Nations Development Assistance Framework, the PRSPs and the Brussels Programme of Action for the Least Developed Countries as well as the links between the MYFF goals and resource mobilization and management strategies.

40. Some delegations observed that goals and service lines could be focused further. Other delegations noted that considerations of focus should be reconciled with the flexibility needed to respond to emerging programme country demand. Other delegations considered the current balance of goals and service lines to reflect appropriate focus and demand. Gender mainstreaming should continue to receive priority attention in collaboration with the United Nations Development Fund for Women (UNIFEM). South-South and triangular cooperation should continue to be encouraged and adequately funded. The coordination mechanism at the country level should recognize the important role of government. Programming and funding need to be properly aligned. The resident coordinator system needed strengthening to better handle increased responsibilities, such as support to PRSPs and joint programming. The relationship between state and non-state actors should be further encouraged and strengthened through public-private partnerships.

41. The Associate Administrator acknowledged delegations' positive comments on the quality, focus and balance between the reduced goals and service lines in the second MYFF, 2004-2007. He concurred that the framework was a living document and would be adjusted and fine-tuned to address the demands of programme countries and regional entities, and to account for other developments in areas such as energy and environment. UNDP would continue to place top priority on poverty reduction and the MDGs. Active consultations with all stakeholders would be undertaken to ensure that programmes were designed and owned by national authorities. He reported that innovative methodologies on indicators for measuring and reporting results and impact were under active consideration within UNDP. A report would be presented to the Executive Board at its first regular session 2004.

42. The Associate Administrator thanked delegations that had announced increased contributions to regular resources and appealed to others to do the same so as to

ensure an adequate resource base that would enable UNDP to meet the demands of programme countries.

43. He reminded delegations that UNDP had for a long time been involved in anti-poverty programmes, and its experience had been utilized in poverty assessments and in drafting of anti-poverty programmes. This experience had been available to countries involved in preparing PRSPs. UNDP had also gained credibility in building partnerships and broad-based participatory processes that had become crucial in the PRSP process. The role of UNDP as coordinator of the MDGs at the country level would be instrumental in forging links between the MDGs and PRSPs.

44. The Associate Administrator reiterated that the purpose of going upstream was to establish a link between policy and projects that did not exist before. He stressed that projects alone, in the absence of a policy framework, would not solve poverty challenges. Therefore, the adoption of an upstream approach was not to abandon downstream activities but to link the two in a mutually reinforcing manner.

45. He advised members of the Executive Board that the issue of addressing appropriately the resident coordinator system was still under discussion; the Board would be kept informed of developments. He also stressed that the resident coordinator system would remain the cornerstone of the UNDP reform agenda.

46. The Associate Administrator observed that although gender was not a separate MYFF goal, gender mainstreaming would continue to be a top priority in all aspects of UNDP work at headquarters and at the country level. UNDP, through its Gender Unit, would continue to work closely with UNIFEM to ensure that gender issues received the attention that they deserved.

47. The Executive Board adopted decision 2003/24 on the UNDP multi-year funding framework, 2004-2007.

V. Evaluation

48. Delegations highly commended UNDP for producing timely, well-structured and well-written reports, including the annual report of the Administrator on evaluation (DP/2003/33), the executive summary of the report on the assessment of the MDG reports (DP/2003/34), the note by the Administrator on the assessment of the MDG reports (DP/2003/41) and the management response to the evaluation of the role of UNDP in the PRSP process (DP/2003/35). They welcomed the progress made in the development of systematic and analytical methodologies. They endorsed the methodological approach of dividing monitoring and evaluation into programme, country and organizational categories, and welcomed the introduction of country level strategic evaluations such as the assessment of development results.

49. Delegates also supported the heightened attention given to aligning the PRSPs and the MDGs, in particular with regard to enhancing monitoring and reporting systems at the country level and the evolving partnership between United Nations organizations and governments as well as donors and programme countries. The partnership with the private sector was also commended.

50. The links between policy and operational activities at the country level and the efforts to enhance cooperation on knowledge and learning within the United Nations and between it and bilateral donors were appreciated.

51. Delegations stressed the importance of using evaluation results in the decision-making process. They also underscored the importance of broad-based participation in the MDG process, involving civil society organizations and marginalized communities. They noted, however, that the Evaluation Office might be spreading itself too thinly, which could result in impaired effectiveness and efficiency. They also advised that care be taken to obtain accurate and current statistics in collaboration with national authorities. Capacity building at the national level in collaboration with other relevant stakeholders such as the World Bank might be helpful in that regard. Delegations also called on UNDP to undertake more institutional-type evaluations. They sought more information on what had been done to narrow the evaluation capacity gap at the national level; how the initiative to evaluate UNDAF outcomes was being carried out; the lack of emphasis given to evaluation of work in conflict prevention and recovery, gender and activities undertaken by United Nations organizations such as UNIFEM, the United Nations Capital Development Fund and the United Nations Volunteers; and what was being done at the headquarters level to enhance the capacity to feed evaluation results into decision-making processes and the formulation of new programmes.

52. Delegations wished to receive further information on the distinct aims of the PRSPs, MDG reports and the *Human Development Report*. They also wished to know if a one-page summary could be made available to Executive Board members on the aims of these reports.

53. Delegations felt the report on PRSP was thought provoking. They noted the development of partnerships with United Nations organizations, governments and donors. They recommended that the World Bank should monitor the preparation of the PRSPs and further strengthen links between the MDGs and PRSPs.

54. In response, the Acting Director, Evaluation Office, reported that the office disseminated lessons learned throughout UNDP, including the Executive Team, where key evaluation findings and expectations from UNDP were discussed. Information from evaluation exercises was being synthesized and published in *Essentials*, a UNDP publication devoted to lessons learned based on evaluative evidence. In addition, strategic issues on evaluation were regularly discussed through EvalNet and other UNDP networks. For the most part, Evaluation Knowledge products were produced in a question and answer format so as to ensure easy access for operational purposes.

55. He added that the Evaluation Office had developed a tracking system to obtain information from country offices about follow-up actions on evaluation recommendations, especially outcome evaluation. General information exchange was fostered through the Evaluation Office web site, which houses evaluation reports, terms of reference and evaluation plans, among other relevant documents.

56. Periodic presentations were also made to UNDP bureaux and at subregional resource facilities. He also reported that in order to improve evaluation capacities the Evaluation Office had conducted monitoring and evaluation workshops in Bolivia, Cuba, Fiji, Tunisia and the Asia and Pacific region. Teleconferences and videoconferences had also been conducted. The Evaluation Office had developed an

integrated results-based management (RBM) training module, which the UNDP Learning Resources Centre used. By the end of 2003, the office would assess the quality of evaluation outcomes and make recommendations on how to improve monitoring and evaluation methodologies. While the responsibility for the application of RBM methodology had been transferred to the Operations Support Group, the Evaluation Office continued to provide technical support.

57. He stressed that capacity-building remained a key element in the activities of the Evaluation Office. However, programme country demands for training in methodology had exceeded the capacity of the office. Accordingly, the Evaluation Office required a more strategic approach in providing its services, including the organization of monitoring and evaluation training events at the regional level and in conjunction with other corporate or country events.

58. The Acting Director reported that an evaluation had been conducted on crisis and post-conflict situations in 2002. He concurred with delegations that using accurate and current data was essential. The work plan for 2003-2004 included a series of lessons-learning studies and products on post-conflict situations. He observed that in 2003 the Evaluation Office in collaboration with the United Nations Development Fund for Women (UNIFEM) and the Bureau for Development Policy (BDP) produced a special edition of *Essentials* on gender in conflict situations. There was greater focus within UNDP on gender mainstreaming in all aspects of its programmes.

59. He concluded by observing that an internal assessment on upstream positioning and knowledge management in UNDP had been included in the work plan for 2003-2004. The two assessments would be conducted from a learning perspective.

60. The Executive Board adopted decision 2003/25 on UNDP evaluation.

VI. Country programmes and related matters

61. Delegations reviewed draft country programme documents for the Central African Republic (DP/DCP/CAF/1), Republic of the Congo (DP/DCP/PRC/1), Sierra Leone (DP/DCP/SIL/1), Lithuania (DP/DCP/LIT/1) and Poland (DP/DCP/POL/1). The comments were country specific and the respective bureaux would transmit them immediately to the countries concerned. If the governments concerned agree, revised country programmes would be posted on the web sites of the regional bureaux with a hyperlink to the Executive Board secretariat web site by 15 October 2003.

62. Delegations took note of the note by the Administrator on UNDP assistance to Afghanistan (DP/2003/36) on a case-by-case basis for the period from January 2004 to December 2005. During discussions on UNDP assistance to Afghanistan, the Minister for Rural Rehabilitation and Development addressed the Executive Board, which was followed by an informal briefing by the Minister that attracted a large gathering.

63. They approved the two-year extension of the second country cooperation framework for Peru (DP/2003/37/Rev.1). They took note of the one-year extensions of the second country cooperation frameworks for Bosnia and Herzegovina and Chile (DP/2003/37/Rev.1).

64. The Board took note of the oral report by the resident representative on UNDP assistance to Myanmar.

VII. UNOPS: financial, budgetary and administrative matters

65. The President of the Executive Board, the Administrator of UNDP and delegations congratulated Mr. Nigel Fisher on his appointment as the new Executive Director of the United Nations Office for Project Services (UNOPS). They also commended him for his comprehensive report on the revised budget estimates for the biennium 2002-2003, budget estimates for the biennium 2004-2005, and the report on the level of the operational reserve (DP/2003/38), the report of the ACABQ on the revised budget estimates for the biennium 2002-2003, budget estimates for the biennium 2004-2005 and report on the level of the operational reserve (DP/2003/39), the final report on the independent review (DP/2003/40), and the change management process.

66. They noted with cautious optimism that UNOPS might be able to generate and transfer a surplus to the operational reserve at the end of 2003.

67. Notwithstanding, delegations expressed concern at the alarming delivery projections for 2004. They strongly supported the commitment of the Executive Director to place immediate and high priority on new acquisitions to reverse the situation.

68. With reference to the report of the independent review (DP/2003/40), delegations underlined the importance of UNOPS as an independent, efficient and effective service provider to the United Nations system, and commended the Executive Director on his rapid development of a framework to implement structural, administrative and systems changes promptly and to create a viable basis for consolidation and growth as a self-financing entity. A wide range of organizational reforms was required to reduce costs and improve efficiency. They also called on the United Nations system to utilize services of UNOPS.

69. Delegations also concurred that UNOPS needed to focus on matching the evolving requirements of its clients as well as to broaden its client base within the United Nations system. This would entail, inter alia, a review of its fee-setting criteria, service delivery modalities and structure, so as to best reflect a client-centred approach. Delegations also stressed the need for a comprehensive review of the organization's overall mission and mandate. This question should be subject to inter-session consultations and to consideration by the Board at its first regular session and annual session 2004.

70. Delegations supported the idea of widening UNOPS business opportunities within the United Nations system and with the World Bank. The examination of service opportunities with regional development banks and other regional organizations was also raised. Varied views were expressed on the question of direct UNOPS service provision to governments in the areas of its competence.

71. Delegations proposed that the mission and mandate issue be further discussed and brought to the attention of the Executive Board in early 2004.

72. Delegations also wished to hear from the heads of UNDP and UNOPS on how they intended to revamp their relationship.

73. They expressed the desire to be updated on developments through informal consultations between now and the first regular session of the Executive Board in January 2004. During that session, a formal review would be undertaken of the financial situation of UNOPS, of progress achieved and further plans for the implementation of change measures, together with the presentation of proposals for financing of the change process.

74. In his response, the Executive Director, UNOPS, affirmed his concern about the prospects for business acquisition in 2004. He noted that guaranteed contracts currently stood at half of what was needed for the organization to stay afloat. He informed the Executive Board that he had initiated efforts to maintain the business at hand and to explore new opportunities with existing and new clients. He believed that UNOPS as a self-financing model was viable but required: (a) rapidly increased business acquisition; (b) greater focus on and understanding of clients' needs; (c) a transparent and competitive fee-setting structure; and (d) internal cost-cutting measures.

75. He observed that high on the UNOPS agenda was the necessity for a sensitive response to clients' needs and concerns with respect to costs, quality and competitive and transparent pricing procedures, as recommended in the report of the independent review (DP/2003/40). He also stressed the need for UNOPS to adapt better to the evolving environment and the mandates of its clients.

76. The Executive Director reported that UNOPS and the World Bank were already cooperating and were in the process of formalizing their working relationship. Cooperation possibilities were also being explored with the African Development Bank and the Asian Development Bank as well as with the Inter-American Bank. UNOPS, in association with UNDP, was already providing services to activities funded by the African Development Bank. He further reported that UNOPS was exploring with UNDP how they could capitalize on the resources and loans of regional development banks.

77. He underscored that in order for UNOPS to serve United Nations organizations, as called for by the Secretary-General in document DP/2003/40 and encouraged by members of the Board, the organization had to strive to be efficient, competitive and transparent in its pricing arrangements.

78. The Executive Director noted the urgency expressed by delegations to address the issue of the mandate and status of UNOPS. He stated that he would soon begin discussions regarding the mandate of UNOPS with clients, in order to reach a consensus in an open and transparent manner.

79. He reported that a road map for change was already available – what was required was the early implementation of those elements with which UNOPS could start, while simultaneously embarking on a dialogue concerning more complex issues. The report to the Executive Board at its first regular session in January 2004 would contain what had been achieved, work in progress, the proposed work plan for 2004 and the budget required. By the annual session in June 2004, the Board would be able to discuss issues related to the mandate and mission of UNOPS.

80. The Chairman of the Management Coordination Committee (MCC) reported that there was already a good working relationship between it and the Executive Director. The report on the independent review pertaining to the business model and related issues of UNOPS – comments of the Executive Director (DP/2003/CRP.19) reflected the common views of the MCC and the Executive Director. The Chairman supported the idea that UNOPS should expand its pool of clients but not in an open-ended way that would bring in governments as direct clients. Such a development might undermine the broad structure of relationships between UNOPS and other United Nations organizations. He stressed that there was a need to think carefully about how the pool of clients for UNOPS could be expanded without creating unintended and damaging results. The matter would be taken up in the MCC; the Board would be advised of the outcome.

81. The Chairman noted that repair work was needed on both sides to improve the relationship between UNDP and UNOPS. Towards that goal, the Administrator of UNDP had invited the Executive Director of UNOPS to attend, speak and lead one session at the global meeting of resident representatives in October 2003. He also reported that he had discussed with senior colleagues in UNDP a business model of partnership between UNDP and UNOPS that was acceptable to a cost-conscious donor community. That would entail, inter alia, an arrangement ensuring that the share of overhead between the two organizations would reflect the share of labour, which both organizations contribute to project management. The two organizations were committed to working out a mutually acceptable arrangement.

82. He reported that the Secretary-General expected the rest of the United Nations system to make good use of UNOPS services, but this would require overcoming some elements of resistance.

83. The Executive Board adopted decision 2003/26 on the UNOPS revised budget estimates for the biennium 2002-2003, budget estimates for the biennium 2004-2005, and report on the level of the operational reserve.

84. The Executive Board adopted decision 2003/27 on the independent review of UNOPS.

UNFPA segment

VIII. Financial, budgetary and administrative matters

85. The Executive Director introduced the estimates for the biennial support budget for 2004-2005 (DP/FPA/2003/12), addressing policy issues, highlighting key financial elements of the budget and responding to the concerns raised by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) in its report (DP/FPA/2003/12). She also introduced the Annual Financial Review 2002 (DP/FPA/2003/13). She underscored that the budget proposal embodied the Fund's transition process and was designed to pave the way for implementing its outcomes, including strengthening the capacity of UNFPA to assist countries in implementing the Programme of Action of the International Conference on Population and Development (ICPD) and achieving the Millennium Development Goals (MDGs). She emphasized that the proposed budget provided greater support to country

offices, growth where affordable and cost containment where necessary. She stressed that UNFPA was working to align the multi-year funding framework (MYFF) with the budget and hoped that the next budget would be presented with the MYFF at the same Executive Board session. Noting that the Fund's financial situation in 2003 was healthy, she stated that the Fund's income had increased to the point that the funding gap caused by the loss of a major contribution had been entirely offset.

86. The Director, Division for Management Services, made a slide presentation on the budget proposals for 2004-2005. He also drew attention to the background note that had been distributed providing additional information on post reclassifications and linkages between the MYFF 2004-2007 and the estimates for the biennial support budget for 2004-2005.

87. During the discussion, numerous delegations expressed strong support for the proposed UNFPA budget and welcomed the Fund's focus on strengthening country offices, including through implementation of the new country office typology; human resources development; and knowledge sharing. Delegations thanked UNFPA for the excellent documentation and supplementary materials as well as for the informal briefings held prior to the session. They noted that the budget was integral to achieving the Fund's transition outcomes. Delegations underscored that the Fund had a central role to play in assisting countries in achieving the goals of the ICPD Programme of Action, ICPD+5 and the MDGs. They welcomed the increased expenditure for programme activities. Delegations also welcomed the Fund's increased participation in the United Nations Development Group (UNDG) as well as in country processes such as the poverty reduction strategy paper (PRSP) and sector-wide approaches (SWAps). A number of delegations noted that UNFPA contributed significantly to improve gender equality.

88. Several delegations noted the need to synchronize the budget and MYFF cycles and welcomed the news that in the future UNFPA planned to present the budget and the MYFF at the same session. Delegations took note of the comments of the ACABQ, including on post reclassifications and results-based budgeting. Numerous delegations stated that they appreciated the additional information provided by UNFPA concerning post reclassifications and the linkages between the MYFF and the budget. One delegation asked if UNFPA had considered how it might monitor or assess the results/impact of its strategic investment in implementing the new country office typology. The delegation was also interested in knowing whether the reclassifications of posts and the creation of additional posts would improve staff capacity at the country office level, resulting in increased ability to meet programming commitments.

89. A number of delegations welcomed the monitoring and evaluation framework and inquired about benchmarks to measure the effectiveness of programme implementation. One delegation encouraged the Fund to share its best practices with Member States. One delegation requested UNFPA to adopt the terms "reproductive health care" and "primary health services, including reproductive health" in lieu of "reproductive health services". The same delegation advocated a comprehensive approach to HIV/AIDS prevention, including use of the "ABC model".

90. Noting that UNFPA needed more core resources, several delegations called on donors to increase their core contributions and to undertake greater burden sharing.

The delegations of Canada and Sweden announced that they would increase their core contributions to UNFPA in 2004.

91. The delegation of Norway strongly supported the Fund's efforts to link poverty alleviation to reproductive health, population and gender within the context of the MDGs and commended the Fund's leadership in promoting the ICPD Programme of Action and specifically the work being carried out by UNFPA in the field of reproductive health. The delegation took the opportunity to strongly oppose the false allegations made by one outside organization (in the aftermath of the annual session 2003) that Norway had questioned the Fund's reliability in financial matters. The delegation emphasized that that was definitely not the case and it underscored that Norway was convinced that its contributions were spent wisely and efficiently by UNFPA. The delegation added that the Fund's income picture was better than previously expected and the number of donor countries had grown significantly. The delegation stated that that was a true reflection of the trust that donor countries placed in the Fund and of the strong political support that UNFPA enjoyed.

92. The delegation of the United States of America stated that it continued to maintain an active dialogue with UNFPA and China regarding the issues that had prevented its Government from funding UNFPA. Noting that its country was not legally able to fund UNFPA at the present time, the delegation stated that it had consistently encouraged China to adopt new policies that would eliminate coercive measures from its family planning programmes. The delegation encouraged UNFPA to continue its efforts towards that end and underscored that its country remained committed to funding UNFPA and would continue its dialogue with China and UNFPA.

93. The delegation of China stated that since the 1980s its country had enjoyed a very good relationship and cooperation with UNFPA. The Fund's programmes had played an important role in promoting the development of Chinese society and the economy. The delegation regretted that the United States of America was attempting to use Chinese domestic policy to withhold its contribution to UNFPA. The delegation noted that in the early part of August a United States Assistant Secretary of State had visited China and had recognized that the cooperative programmes carried out with UNFPA assistance were very important in terms of reproductive health, family planning and health services. The delegation hoped that the above-mentioned visit would help the Government of the United States of America to gain further understanding of the issue of population in China and would strengthen its support for the cooperation between China and UNFPA. The delegation appealed to the Government of the United States of America to resume its contribution to UNFPA at an early date.

94. The Executive Director thanked the delegations for their support and expressed appreciation to Canada and Sweden for the announcements regarding increased core contributions in 2004. She hoped that the tenth anniversary of ICPD in 2004 would provide a real impetus for implementing the ICPD Programme of Action. She assured the Executive Board that UNFPA was making every effort to align all its activities with the MYFF. She underscored that UNFPA was promoting results-based mangement and the MYFF would systematically be used for monitoring and evaluation. With regard to post reclassifications, she pointed out that they were in accordance with established International Civil Service Commission (ICSC) standards.

95. Regarding the comment on reproductive health terminology, she underscored that the Fund's mandate and reproductive health terminology were derived from the ICPD Programme of Action. She noted that the Fund's core programme areas had been endorsed by the Executive Board in decision 95/15 and that the decision stated that the UNFPA programme must be implemented in full accordance with the ICPD Programme of Action. The Board had endorsed continuing use of the core programme areas in decision 2000/11. Concerning the "ABC" approach to HIV/AIDS prevention, she clarified that in keeping with the international consensus UNFPA promoted all three components – A, B and C – simultaneously.

96. The Deputy Executive Director (Management) thanked the Executive Board for approving the biennial support budget, 2004-2005, and for the increase in contributions announced by Sweden and Canada. She noted that it would enable UNFPA to implement the transition outcomes and that it would form the institutional foundation required to utilize much-needed additional regular resources. She stated that Fund-wide workshops were being organized to familiarize all UNFPA staff -- at headquarters and in the field -- with the transition outcomes and to bring about a cultural change in the organization. She added that the workshops were facilitated by the Fund's own staff members. In connection with the questions raised by some Executive Board members on the issue of carry-over funds in recent years, the Deputy Executive Director (Management) explained the reasons for over- and under-expenditure at year-end. Concerning trust funds, she noted that UNFPA was reviewing cost recovery and also studying the modality of thematic trust funds for possible application in UNFPA.

97. The Executive Board adopted decision 2003/28: UNFPA estimates for the biennial support budget, 2004-2005.

IX. Country programmes and related matters

98. The Executive Board reviewed the draft country programme documents for Lesotho (DP/FPA/DCP/LSP/4), the Republic of the Congo (DP/FPA/DCP/COG/3), Sierra Leone (DP/FPA/DCP/SLE/3) and Ecuador (DP/FPA/DCP/ECU/4).

99. In discussing the draft country programmes from the Africa region, delegations appreciated the Fund's focus on HIV/AIDS prevention and noted that HIV/AIDS prevention should be incorporated in all reproductive health programmes and not be a vertical programme. It was pointed out that non-governmental organizations (NGOs) could play a vital role in linking national policies at central level to activities at the local level. Additional information was requested on demographic indicators. Delegations from a number of programme countries expressed appreciation for the support provided by UNFPA to their respective countries.

100. The Director of the Africa Division noted that all UNFPA country programmes included demographic indicators that were specified in detail in the logical framework of each programme. She underscored that it was the Fund's policy to mainstream HIV/AIDS prevention in reproductive health programmes. She noted that NGOs were involved in all stages of programming, including planning and development stages, as well as programme execution and evaluation.

101. With regard to the draft country programme for Ecuador, one delegation underscored the need to combat sexually transmitted infections, including HIV/AIDS, and to address in particular the needs of indigenous and African-Ecuadorian women.

102. The Director of the Latin America and the Caribbean Division responded by noting that the focus on working with indigenous groups and on HIV/AIDS prevention, especially among adolescents and youth, was prioritized in the new programme for Ecuador. The two directors thanked the Executive Board for the comments and noted that they would be conveyed to the concerned countries.

103. The Executive Board took note of the draft country programme documents for Lesotho, the Republic of the Congo, Sierra Leone and Ecuador, and the comments made thereon.

X. Other matters

104. Members of the Executive Board reviewed the conference room paper on proposals for the joint field visits in 2004 (DP/2003/CRP.18). They took note of the report with comments thereon for follow up by the bureaux of the Executive Boards of UNDP/UNFPA, UNICEF and the World Food Programme.